

“China and Regional Organizations”

Testimony before the U.S.-China Economic and Security Review Commission
Hearing on “China’s Activities in Southeast Asia and the Implications for U.S. Interests”

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Thank you for inviting me to share my thoughts on China’s involvement in regional organizations and their implications for the United States.

Leading members of the ten-member Association of Southeast Asian nations (ASEAN)² are spearheading a long-term drive to bring about closer regional integration in Asia, including China. At the same time, they are seeking to build a more secure regional environment. Regional organizations centered on but transcending ASEAN itself are the focal point of these efforts.

My main focus today will be on China’s involvement with three, and particularly two, of these regional organizations: the 27-member ASEAN Regional Forum, ASEAN + 3, and the East Asia Summit group (ASEAN + 6).³ These are the main regional arenas in which China’s growing influence in Asia plays out and where region-wide politics and strategy are mostly clearly in play.

The United States is a member of the ASEAN Regional Forum but not ASEAN + 3 or the East Asia Summit group. China’s role within all three organizations, and particularly the two from which the United States is excluded, raises two sets of policy questions for the U.S. Congress and the Executive Branch:

(1) Does the combination of ASEAN + 3 and U.S. exclusion from the East Asia Summit threaten U.S. interests? Should Washington seek a seat at the East Asia Summit’s table? If not, should the United States attempt to revitalize APEC and launch other Asia-Pacific initiatives?

(2) What is the nature of China’s involvement in ASEAN + 3 and the East Asia Summit group? As a non-member, how can the United States enhance its influence in the region and respond to Southeast Asian needs while simultaneously making room for a resurgent China?

I suggest answers to these questions at the end of my testimony.

¹ The views expressed are those of the author and do not reflect the official policy or position of the National Defense University, the Department of Defense, or the U.S. government.

² The five founders of ASEAN in 1967 were Indonesia, Malaysia, the Philippines, Singapore, and Thailand, joined later by Brunei, Cambodia, Laos, Myanmar (Burma), and Vietnam.

³ ASEAN + 3 includes China, Japan, and South Korea. ASEAN + 6 adds India, Australia, and New Zealand.

Key Observations:

- The coexistence of ASEAN + 3 and ASEAN + 6 (the East Asia Summit group) highlights disagreements about the geographic scope of Asian community-building. China prefers ASEAN + 3, where its influence is strongest; Japan favors ASEAN + 6, where China's influence is muted.
- Trade agreements and financial initiatives negotiated under the rubric of ASEAN-centered regional organizations are the most visible expressions of Asian regionalism. Their significance is political and strategic as well as economic. They provide a field for subtle but intense rivalry between China and Japan, and increasingly between China and India.
- ASEAN members have positioned themselves to take full advantage of this competition. China, Japan, and South Korea are the powerhouses of Asia, but they try to outdo each in offering favors to ASEAN like a trio of burly suitors. China clearly has the most to offer.
- China has become a skilled practitioner of commercial diplomacy. Southeast Asians are beginning to complain publicly about certain Chinese trade practices and China's undervalued currency. But China's perceived openness to trade remains a Chinese strength.
- By the same token, the trade standstill in Washington weakens America's strategic position in Asia. Protectionist rhetoric, failure to ratify pending agreements, and the absence of trade negotiating authority seriously undermine the image of the United States as a leader. America's weak economic recovery and high rate of unemployment only make things worse.
- Chinese leaders are not enthusiastic about Asian regionalism, but they participate constructively in regional organizations because they see an opportunity to pursue certain regional goals. They calibrate their behavior in these organizations to their perceptions of the United States and its close ally, Japan.
- Southeast Asian governments unanimously welcome Chinese participation in regional organizations. But they are wary of China's growing military power and uncertain about China's long-term intentions. Their strategy is to embed China in a web of ASEAN-centered meetings and dialogues to encourage peaceful behavior while maintaining or strengthening their military ties with the United States.
- Most ASEAN governments are eager for deeper U.S. engagement. During the George W. Bush administration, there was a widespread perception that the United States only cared about fighting terrorism and was indifferent to other Southeast Asian needs. Visits from President Obama and Secretary Clinton have helped to dispel that impression. But with the major exception of the U.S. Pacific Command, the United States is still a somewhat passive and low-level participant in Southeast Asia's regional affairs.

- Southeast Asian governments are divided over the question of U.S. membership in the East Asian Summit. Some argue, for instance, that ASEAN cannot invite the United States to join without admitting Russia as well. Others feel that the U.S. voice is loud enough as it is. Many prefer to rely on their bilateral relationships with Washington.
- Southeast Asians and Americans alike bemoan the wasteful overlap and duplication that characterizes Asia's regional architecture. But despite their weakness, regional organizations have proved to be both a force for peace and a catalyst for more open trade and economic reform. The open-endedness of these structures mirrors Southeast Asia's fluid strategic environment.

The following sections provide background information on ASEAN-centered regional organizations, analyze ASEAN's motivations and strategies, describe the nature and extent of China's involvement in regional organizations, provide strategic and historical perspectives on long-term U.S. interests and U.S. policy, assess the implications of China's current involvement in regional organizations for U.S. interests, and make broad policy recommendations for Congress and the Executive Branch.

Background: ASEAN and the Construction of Regional Architecture

Despite its collective weakness and lack of coherence as an organization, ASEAN is both the prime mover and the hub of the ASEAN Regional Forum, ASEAN + 3, and the East Asia Summit group (ASEAN + 6). China is active in all three, particularly ASEAN + 3.

The ASEAN Regional Forum (ARF) met for the first time in 1994. Its stated goal is "to intensify ASEAN's external dialogues in political and security matters as a means of building cooperative ties with states in the Asia-Pacific region." Its 27 members include the ASEAN + 6 group plus the United States, Australia, the European Union, Russia, India, and several other countries, including North Korea.

The ARF owes its origins to both Cold War alignments and conflicts among various Southeast Asian nations themselves. It enshrines an exclusively political approach to regional security through multilateral dialogue among interested parties; delegations are headed by foreign ministers, not defense ministers. It has never sought to resolve a conflict under its own roof. Its members prevent any discussion of genuine military threats, notably those stemming from China-Taiwan relations and North Korean nuclear weapons. When Malaysia's recent dispute with Thailand was still simmering, Malaysia's foreign minister threatened to walk out if the ARF took up the subject. For these and similar reasons, the ARF has been declared dead or dying many times. In the last U.S. administration, Secretary of State Rice skipped several of its annual meetings, causing Southeast Asians to conclude that the United States was no longer interested in participating in a region-wide security dialogue unless such talks served America's "war on terror."

Nevertheless, both China and the United States find that the ARF is at least minimally useful. It exposes governments to region-wide security issues while safeguarding national sovereignty. It provides a safe "roof" under which quiet bilateral discussions can take place. The United States

has taken advantage of these occasions to promote dialogue between Chinese and American military personnel. The peace-oriented ethos of the ARF may have helped to persuade China to exercise restraint with respect to its extensive territorial claims in the South China Sea. In recent years the ARF has taken up non-threatening, non-traditional issues such as maritime security and rescue at sea, in which China and the United States have shared interests.

China's participation in the ARF reflects the tactical and diplomatic skills that characterize its relations with the rest of Asia more generally. Chinese diplomats use the ARF to emphasize its peaceful intentions and China's commitment to regional stability. Nothing in China's behavior in the ARF threatens U.S. interests; the only challenge is to build on the engagement and positive spirit that Secretary Clinton brought to Asia when she attended her first ARF meeting last year.

China also attends the annual Shangri-La Dialogue, sponsored by the London-based Institute for International Strategic Studies. This is the only Asia-Pacific forum that brings together high-level military officers, defense ministers or their immediate subordinates, and defense intellectuals. Key bilateral meetings take place on the sidelines of formal sessions.

Separately, Australian prime minister Kevin Rudd has put forward a proposal to rationalize existing regional architecture and establish a single forum that combines economic and security issues. This "Asia Pacific Community," as he calls it, would include the United States, India, Indonesia, and other unnamed "key countries." Mr. Rudd has deliberately withheld detailed suggestions of his own. These ideas have fueled much talk but no action. It seems obvious that an Asia Pacific Community would function as a constructive balance-weight to China's rising influence in pan-Asian organizations, but no one in authority is talking publicly about that. Meanwhile, there is talk of forging the eight Asia-Pacific members of the G-20 into a united group to deal with global economic issues, supplanting the obsolescent G-7.⁴ Such a move would partly compensate for the failure thus far to boost Asia's representation and voting shares in the IMF and World Bank.

ASEAN + 3 includes China, Japan, and South Korea (the "+ 3" countries). Of the three organizations discussed here, ASEAN + 3 is the most institutionalized, the most active in different fields and at different levels, and the most effective. It had begun to coalesce in preparation for top-level meetings between Asians and Europeans in the mid-1990s, but the 1997-98 Asian financial crisis crystallized it.

ASEAN + 3's most visible achievement is a currency swap arrangement originally known as the Chiang Mai Initiative. In 2009 finance ministers agreed to multilateralize the CMI in a common framework of earmarked reserves and increase their total pool of reserves from \$80 billion to \$120 billion. Still under discussion are some form of surveillance mechanism, voting arrangements, and location. Other ASEAN + 3 financial initiatives include greater transparency, preliminary studies leading toward an Asian bond market, and discussions of a possible "Asian Currency Unit," that is, an Asian currency basket as a reference or peg for individual currencies.

⁴ The Asia-Pacific members of the G-20 are Australia, Canada, China, India, Indonesia, Japan, South Korea, and the United States.

All in all, ASEAN + 3 has spawned at least four dozen committees, working groups, study groups, and a research institution headquartered in China's Foreign Affairs University and headed by a government-approved retired ambassador (and therefore less than fully independent). All three of the "+ 3" countries have negotiated free-trade agreements with ASEAN. China proposes combining them into a single East Asia Free Trade Agreement.

ASEAN + 6, known as the East Asia Summit group, combines ASEAN + 3 countries with India, Australia, and New Zealand. Heads of state began meeting in 2005 and have met annually thereafter. Chinese leaders are less enthusiastic about this grouping because the presence of India and Australia dilutes Beijing's influence. Predictably, Japan has countered China's proposal for an ASEAN + 3 free-trade agreement by advocating a similar but more extensive and in-depth "economic partnership agreement" covering all 16 members of the East Asia Summit.

The East Asia Summit group is far less institutionalized than ASEAN + 3. An associated research network headquartered in Jakarta, the Economic Research Institute for ASEAN and East Asia (ERIA), conducts independent research and advises East Asian Summit members. Like Japan's free-trade proposal, the creation of this body is partly a reaction to China's "capture" of what was supposed to be an independent network of ASEAN + 3 think tanks.

ASEAN's Motivations and Strategies

At least five catalysts spurred Southeast Asians to accelerate the Asian integration movement. They were:

- (1) the acceleration of economic regionalism in Europe and the Americas,
- (2) growing economic interdependence in East Asia triggered by the rise of region-wide production networks,
- (3) the loss of trade momentum in the Asia Pacific Economic Cooperation Forum (APEC) and the World Trade Organization (WTO),
- (4) U.S. behavior during the Asian financial crisis of 1997-98, discussed in the following section, and
- (5) the upsurge of trans-national threats such as illegal trafficking, terrorism, piracy, cross-border pollution, and HIV/AIDS.

Overarching all these ASEAN motivations was – and is – the need to react to the combination of China's economic transformation and resurgence and its growing military power.

Southeast Asian governments keep a watchful eye on China's growing power. They have been greatly reassured by China's behavior but are still unsure of China's ultimate goals. Older leaders remember the time when China was actively supporting insurgencies in their countries. Rather than seeking to build a coalition against China, Southeast Asian statesmen have opted to "embed" China in organizations whose location and agenda are in their control. They calculate that enmeshing China in a plethora of agreements and committees encourages peaceful and cooperative behavior and bolsters regional stability. But just to be safe, many ASEAN governments are reaffirming or strengthening their military ties with the United States.

Like everyone else, Southeast Asians want to expand their exports and find a profitable niche in China's domestic market and China-centered manufacturing networks. Although they feel the burning breath of Chinese competition and complain about certain Chinese practices, China's mushrooming growth has been, on balance, a bonanza. Together with Australia, ASEAN countries continue to supply China with energy, raw materials, and agricultural products, but a growing share of ASEAN's exports to China consist of manufactured goods, especially components destined for office equipment and telecommunications products. Between 1990 and 2004, for example, ASEAN's share of China's imports of manufactures grew from 31 percent to almost 56 percent.

Meanwhile, China jump-started free-trade negotiations by opening its market to certain agricultural imports from Southeast Asia when the financial crisis was still working havoc on the region's economies. Since both Japan and South Korea maintain far more restrictions on agricultural imports than China does, Beijing enjoys a diplomatic advantage here. Southeast Asian visions of more extensive opportunities blossomed into a full-blown China-ASEAN Free Trade Agreement, much of which came into effect on January 1 of this year.

Finally, ASEAN leaders want to maximize their collective voice in the region and in the world. They calculate that giving China a leading role in regional organizations makes it more likely that other powers will pay more attention to the region and engage with ASEAN countries on even more attractive terms.

The Nature and Extent of China's Involvement in Regional Organizations

China's historic swing towards market-oriented economic policies took place mainly in the 1980s. But before the Asian financial crisis of 1997-98, China was a wary and suspicious outsider, mistrustful of regional organizations and preferring to deal bilaterally with other Asian governments. Just before the crisis, China had conducted provocative missile tests near Taiwan and seized a reef in the South China Sea. Chinese diplomats also trotted out the argument that Southeast Asian alliances with the United States were Cold War relics and ought to be discarded. These combined actions provoked a strongly critical reaction from Southeast Asians.

Meanwhile, a broad strategic review conducted in Beijing crystallized economic modernization as China's number-one priority and highlighted the corresponding need for a peaceful regional environment. As a consequence, Beijing settled almost all of its land-based border disputes and put its maritime claims on hold. This orientation led to, or was at least consistent with, a more supportive approach to pan-Asian integration.

The Asian financial crisis of 1997-98 was a diplomatic windfall for Beijing. The crisis flattened several Asian economies, especially Indonesia, tarnished the "Asian Miracle," and drove several heads of state out of office. The hardship that swept the region during the crisis left a lingering sense of disillusionment with the United States and the IMF. This outcome offered Beijing a highly visible opportunity to put its new "good neighbor" policy into action and to implicitly contrast its reaction with Washington's.

ASEAN leaders were dismayed by Washington's failure to offer assistance to Thailand following the collapse of the baht in July 1997, which started the financial fireball rolling. Southeast Asians contrasted this passivity with U.S. assistance to Mexico after the collapse of the peso only three and a half years earlier. Compounding this negative perception was the fact the US-backed IMF conditions associated with financial rescue packages were widely believed to be too severe, especially in Indonesia. The number of Indonesians living in absolute poverty temporarily doubled, to a quarter of the population. Since the US Treasury Department exerts a strong influence on IMF policy, the United States came to be associated with widespread suffering and harsh austerity measures. Japan and Australia participated in the IMF's loan packages for the most affected countries, but Washington did not. In Asian eyes, the United States claimed to be a regional leader but could not be counted on. The memory of an unresponsive America persists to this day.

As the crisis unfolded, Japan proposed the establishment of an Asian Monetary Fund. When objections from the IMF, the United States, and others crushed that idea, ASEAN + 3 finance ministers established a network of bilateral currency swap agreements known as the Chiang Mai Initiative. Chinese officials participate in these financial discussions but make no effort to wrest leadership from Japan. (One minor snag arose when the Chinese refused to allow Taiwan's currency to be included in the proposed currency basket.)

Although the Chinese were latecomers to the regional integration movement, they have caught up fast. The Chinese foreign ministry sends some of its best diplomats to Asia. These officials take advantage of region-wide meetings to pursue China's regional goals. These goals include gradually reducing U.S. influence, marginalizing Japan, and keeping India at bay. They pursue these aims in a friendly and low-key manner, avoiding any behavior that smacks of hegemony or aggressiveness. Since China has a large stake in the peace and prosperity of the region and supports an ongoing U.S. military presence, this game plan plays out in subtle and generally constructive ways.

The only exceptions to this low-key and benign behavior arise in cases where Chinese leaders perceive a threat to national unity and national autonomy. The usual targets are visits from the Dalai Lama and other perceived "splittists" or measures that bring into question the status of Taiwan. Southeast Asian governments generally go along with Beijing's demands; when they do not, they may receive a public reprimand (as Singapore did on one occasion). Taiwan is a "member economy" of APEC, where it is listed as "Chinese Taipei." But at Beijing's insistence, Taiwan is excluded from all three ASEAN-centered organizations – the ARF, ASEAN + 3, and the East Asia Summit group -- not to mention a host of other groupings.

To a certain extent, China's gain is Japan's loss. Except when the topic is finance, Tokyo's voice in regional organizations is less influential than Beijing's. Japan's influence in these organizations adds up to less than the sum of its assets. Its economic stagnation and bureaucratic in-fighting compound this calculus. The new Japanese government wants to strengthen its ties with Asia, but whisper campaigns – supported if not initiated by the Chinese and their friends -- portray Japan as too rich, too close to the United States, too unrepentant about its wartime atrocities, and insufficiently "Asian." (Recall that during the Cold War, Japan was counted as a full member of "the West.")

Chinese leaders repeatedly proclaim that they have no intention of telling other governments what to do or not do. Unlike Americans and other Westerners, they do not offer advice on what political system Southeast Asians should adopt, how they should run their economies, and how they should treat their people. This is a welcome change from the Mao era, when China preached revolution and supported insurgent movements in neighboring countries. But one consequence of this rhetorical non-interference is that no one knows what China's long-term goals in the region are. This uncertainty about China's ultimate intentions is a key element in Southeast Asia's strategic environment and helps to explain ASEAN's commitment to regional organizations.

Perspectives on Long-Term U.S. Interests and U.S. Policy

A. U.S. Interests

During the Cold War, Southeast Asia was seen as a pawn in the competition between the United States and the Soviet Union. But once the Cold War sputtered out, Americans maintained a strong military presence but appeared to lose interest in the region. As China's influence has grown, some fear that Beijing will eventually dominate regional organizations and use its influence in ways that undercut U.S. strategic interests. What are these interests, and how important are they?

Broadly speaking, America's strategic interests in Southeast Asia are the same as they are anywhere else. They include peace and stability, an economic climate that favors trade and investment, and freedom of navigation. It is U.S. policy to oppose overt attempts by a hostile power to dominate the region or to control or interdict sea lanes.

The United States has a strategic interest in Southeast Asia because the region possesses collective strategic weight. Although it commands fewer resources than its northern neighbors, it houses 580 million people, including more Muslims than all Middle Eastern countries combined. Southeast Asia lies at the intersection of two of the world's most heavily traveled ocean routes. ASEAN members sit astride the strategically vital Strait of Malacca, traversed by 50-60,000 ships per year. These ships carry more than a third of the world's shipping trade and half of its crude oil shipments, including roughly 70 percent of Japan's oil imports.

Moreover, Southeast Asia is relevant to just about any global challenge that a concerned citizen of the twenty-first century can dream up. The region matters because of its size, population (580 million), economy (roughly \$2 trillion), supply of and demand for energy and raw materials, unresolved maritime disputes, potential for democracy and human rights, and a variety of nontraditional threats ranging from separatist movements and religious agitation to piracy, illegal trafficking, environmental pollution, and disease. Regional organizations, particularly ASEAN + 3, have taken tiny but nonetheless meaningful steps towards addressing some of these challenges, in the first instance by fostering communication and trust among relevant officials. Such personal bonds are the necessary "glue" of sustainable Asian integration.

Finally, Southeast Asia is a large market for American goods and services and an important target of U.S. investment. For all of these reasons, Southeast Asia deserves an important place in

America's global strategic priorities. China is the only power with the potential to challenge America's strategic position.

B. U.S. Policy

The U.S. Government has a long-standing policy toward regional integration movements that exclude the United States. Its general stance is supportive, provided that such movements and the organizations that embody them are –

(1) Not designed to undermine global and regional institutions of which the United States is a member, such as the IMF, the WTO, and APEC. Thus far ASEAN-centered regional organizations have not sought to establish an alternative to the IMF, and they express strong support for the WTO and APEC;

(2) Not intended as an alternative to security ties between the United States and a U.S. ally (in this case, Japan, South Korea, Thailand, the Philippines, or Australia). China no longer tries to persuade Asian governments to dissolve their alliances with the United States;

(3) Not dominated by a power unfriendly to the United States. This would be a concern if a future Chinese government were strongly anti-American and muscled into a position similar to the former Soviet Union in Eastern Europe. Given how far China has evolved since the days of the Cultural Revolution, and in light of the U.S. presence in Asia, this scenario seems highly unlikely;

(4) Consistent with market-oriented trade and investment policies, with a goal of creating more trade and investment rather than diverting them. Market-based reforms in both China and Southeast Asia have made steady but uneven progress. The goal of trade creation is explicit, but whether it is fulfilled remains to be seen; and

(5) Accompanied by compensation for lost U.S. exports, if any. This criterion is premature, but any future U.S. losses could be addressed through the World Trade Organization's dispute settlement process.

Thus far, at least, ASEAN + 3 and ASEAN + 6 appear to satisfy at least the first four criteria and thus justify U.S. support.

Implications of China's Involvement in Regional Organizations for U.S. Interests

Members of ASEAN + 3 and the East Asian Summit group discuss a wide range of issues, such as aviation, tourism, environmental protection, public health, and cultural exchanges. I will confine my comments, however, to trade, finance, and security, listing reasons why members of Congress and the Executive Branch should feel confident or concerned about U.S. interests in each area.

1. Trade

Reasons for confidence:

There will be no “Fortress Asia.” All participants in ASEAN-centered regional organizations know that their well-being is closely bound up with engagement in the global economy and global institutions. They have all pledged to support global trade liberalization.

The dynamic effects of intra-Asian trade liberalization will stimulate economic growth, creating a larger market for U.S. exports. Damage to U.S. exports resulting from preferential trade agreements may not amount to nearly as much as static models would predict. With the exception of certain sensitive sectors, most tariffs in Asia are low and falling. The market for services has huge potential.

Intra-Asian trade agreements, and particularly the Chinese-ASEAN Free Trade Agreement, provide a strong incentive for Taiwan to conclude the proposed Economic Cooperation Framework Agreement with the mainland. Taiwan maintains significant barriers to imports and investment from China. Dismantling these barriers would stimulate needed reforms and enhance Taiwan’s competitiveness.

Asia-centered trade liberalization should have the effect of stimulating liberalization elsewhere. It adds another reason to conclude the Doha Round of global trade negotiations.

Reasons for concern:

As long as global trade liberalization remains stalled, preferential trade agreements among the members of ASEAN + 3 and/or ASEAN + 6 could inflict serious damage on U.S. manufactured exports in certain major product areas, such as autos and auto parts. One modeling exercise (using static assumptions) estimates that such losses could amount to \$25 billion annually.

China’s aid, trade, and investment deals with ASEAN come without any political or economic conditions attached to them. This feature stands in contrast to similar offers from the United States, the European Union, and international financial institutions. This outcome reduces pressure to adopt needed reforms and thus weakens the hand of reformers.

Trade preferences extended to ASEAN countries are eroding two of Taiwan’s key advantages – linguistic and geographic proximity to China and a wide range of *guanxi* (connections). It remains to be seen whether China will eventually agree to some diplomatic formula that would enable Taiwan to participate in regional economic accords.

2. Finance

Reasons for confidence:

On balance, ASEAN + 3’s financial initiatives are a good thing. The availability of currency swaps boosts regional confidence. Discussions on other topics promote greater financial transparency and provide a means of sharing “best practices.”

Finance is the one arena where Japan is clearly the leader. The Chinese are cooperative; financial discussions have been relatively free of the tensions and bickering between China and Japan that have stalled progress on other fronts.

Asian finance ministers are unlikely to agree to any arrangement that bypasses the IMF. Major lenders have no appetite for extending major swaps and loans without conditions. Since Asian lenders will likely be unwilling to impose political or economic conditions on their fellow Asians, they need the IMF to function as a “bad cop.”

Despite the badmouthing of the dollar, Asian finance ministers see no alternative, at least not as long as China’s RMB is not convertible. They have no wish to see the dollar fall even further.

Reasons for concern:

There is a small risk that ASEAN + 3’s financial initiatives will undermine the role of the IMF, whose demands, particularly those imposed during the Asian financial crisis of 1997-98, are still resented. Some participants favor substantially reducing the role of the IMF; others do not.

Thus far, Asians have not succeeded in gaining representation and voting shares in international institutions at a level that is commensurate with their economic strength. The longer this injustice continues, the greater the risk that Asians will try to transform existing ASEAN + 3 arrangements into a separate Asian Monetary Fund with little or no conditionality and weaker links to the IMF.

3. *Security*

Reasons for confidence:

ASEAN has used ASEAN-centered regional organizations to promote peaceful norms. These are embodied in ASEAN’s signature agreement, the Treaty of Amity and Cooperation (TAC), signed by ASEAN members in 1976 and subsequently by all major powers. (The United States finally signed it in 2009.) Peer pressure exerted in the spirit of the TAC has lubricated the settlement of bilateral disputes and eased tensions in the South China Sea.

Far from weakening the U.S. role in Southeast Asia, China’s rising influence enhances the value of the U.S. military presence in Southeast Asian eyes. The United States is the least distrusted country in the region. Both Chinese and Southeast Asian leaders value the stabilizing role of the U.S. military presence. Many Southeast Asian governments have strengthened their security ties with the United States as a hedging strategy.

Southeast Asians have no intention of neglecting trans-Pacific ties. They have little faith in the future of the Asia Pacific Economic Cooperation forum (APEC), but they see it as a way to keep the United States engaged in Asia. They have mixed views of Australian prime minister Kevin Rudd’s proposal to establish an Asia Pacific Community. Smaller countries such as Singapore understandably oppose their evident exclusion.

Non-traditional threats such as piracy, illegal trafficking, terrorism, environmental pollution, and pandemic disease have promoted cross-border security cooperation. The United States remains a highly desirable partner. No other country can remotely match its resources. The search for common solutions to shared regional threats has already breathed life and energy into the ASEAN Regional Forum.

Reasons for concern:

The risk is not that China will push the United States out of Asia, now or in the future. The main risk is that over time, the U.S. voice in the region will be gradually drained of influence relative to China's. This challenge stems from the contrast between China's galloping economic performance and America's current domestic and international headaches.

Over time, other things being equal, the current, outward-looking form of Asian regionalism could acquire a more exclusive and even xenophobic character. Nationalist politicians could whittle down U.S. military footholds and harass U.S. companies in the name of "Asia for Asians."

Even if the current Okinawa imbroglio is settled to Japan's satisfaction, a future Japanese government may feel compelled to loosen its ties with Washington to a greater extent than the current government seems to favor. Chinese spokesmen already complain about Japan's current military posture.

On balance, reasons for confidence greatly outweigh reasons for concern. But although the United States is indeed a "resident power," as Secretary Gates says, it must never take its presence in Asia for granted. Cooperating and competing with China in Southeast Asia calls for a more active policy backed by adequate resources, high-level attention, and Congressional support.

Policy Recommendations for Congress and the Executive Branch

Working together, Congress and the Executive Branch should pursue the following agenda:

- Get back in the trade game: Achieve Congressional ratification of pending free-trade agreements, especially the Korea-US FTA. Agree to mutual agricultural concessions in order to complete the Doha Round. Engage actively in the Trans-Pacific Partnership (TPP) trade initiative within APEC.⁵ Revive and publicize the idea of a U.S.-ASEAN free trade agreement. Publicly reaffirm America's long-standing commitment to open trade as an historically proven key to global economic growth. Recognize that there are "losers" and support stronger social safety nets at home and abroad.

⁵The TPP was initiated by Singapore, Brunei, Chile, and New Zealand and now includes Australia, Peru, Vietnam, and the United States. Its goal is to create the framework for a comprehensive Asia-Pacific trade agreement that exceeds current World Trade Organization standards ("WTO-plus"). The United States announced its intention to engage with the TPP in November 2009.

- Revive and strengthen the tools that enhance America's "soft power." Accelerate the long-overdue upswing in funding for programs that served the United States so well in the past: student fellowships, scholarly exchanges, visitors' programs, military and non-military education and training, and public diplomacy, including American Centers.
- Do not press for a seat at the East Asian Summit table. Doing so would smack of bullying and arrogance. Americans have NAFTA and the Europeans have the European Union. There is no reason why Asians should not have their own organization. The presence of Australia, Japan, and India ensures that U.S. interests will be recognized.
- Approach both Asian regionalism and China's involvement in a constructive spirit. As long as China's economy keeps growing, the growth of Chinese influence in the region is inevitable. China's participation in the regional integration movement opens up many opportunities for cooperative approaches to shared trans-national challenges. Indeed, presenting such ideas in a regional context may stir up less sensitivity in Beijing than purely bilateral initiatives.
- Avoid letting the urgent trump the important. Send appropriately high-level representatives to the ASEAN Regional Forum and trans-Pacific meetings. Continue the process of listening and engaging and try to understand Southeast Asian concerns. Never try to persuade ASEAN members to take sides against China.

Summary and Concluding Comments:

Many observers of Asian regionalism deride ASEAN's lack of coherence and dismiss ASEAN-sponsored regional meetings as mere "talk shops." They point to their molasses-like pace, their waste of resources, their paucity of tangible results, and their lack of enforcement mechanisms.

This perspective is certainly valid, but it overlooks the regional context. Many Asian countries are former colonies and achieved full independence only after World War II. Some governments are still struggling to achieve legitimacy and consolidate national unity. They are in no mood to surrender sovereignty in the name of Asian solidarity. They believe that the process of dialogue is the goal, not the "deliverables."

Moreover, Southeast Asian leaders view both overlapping regional groupings and parallel trans-Pacific organizations as safety valves. The consensus-oriented and open-ended nature of these dialogues suits the region's fluid and uncertain strategic environment. The norms enshrined in ASEAN's non-binding Treaty of Amity and Cooperation encourage the peaceful resolution of disputes. They play at least some part in Beijing's decision to shelve or play down grievances and territorial claims.

My answers to the questions posed at the beginning of this statement are as follows:

Q: Does the combination of ASEAN + 3 and U.S. exclusion from the East Asia Summit threaten U.S. interests?

A: Not seriously, although there are a few problem areas. On balance, the opportunities to promote broad U.S. interests outweigh the risks. The biggest problems thwarting the pursuit of U.S. interests in Southeast Asia are self-inflicted. The trade standstill in the Congress is chief among them.

Q: Should Washington seek a seat at the East Asia Summit's table?

A: No. Asians deserve their own organizations, and there are better ways to signal U.S. interest and commitment.

Q: Should Washington attempt to revitalize APEC and launch other Asia-Pacific initiatives instead?

A: Yes. Trade, maritime safety, health, and energy initiatives seem to be the most promising, but Washington should solicit Southeast Asian suggestions.

Q: What is the nature of China's involvement in regional organizations?

A: Constructive, diplomatically skillful, but not very enthusiastic about regional integration. Chinese representatives make subtle efforts to marginalize Japan, especially within ASEAN + 3, and to minimize India's role in the East Asian Summit group. ASEAN takes advantage of this jostling.

Q: As a non-member of both ASEAN + 3 and the East Asia Summit, how can the United States enhance its influence in the region and respond to Southeast Asian needs while simultaneously making room for a resurgent China?

A: Unblock the current trade standstill and restore free-trade momentum, greatly expand "soft power" tools, show up for high-level meetings, avoid arrogant behavior, and be responsive to Southeast Asian concerns and needs.

In sum, despite their manifest weaknesses, ASEAN-centered regional organizations are fully compatible with U.S. interests. They have embedded China in a web of dialogues and channeled diplomatic rivalry among the three Asian powers – China, Japan, and India -- in constructive directions. China's behavior bears watching but does not threaten the regional order and is often helpful. China's commercial diplomacy puts pressure on others to open their markets; conversely, Southeast Asians are beginning to put pressure on China to eliminate trade-inhibiting practices and to rectify global imbalances. This constellation gives rise to both opportunities and risks for the United States. It should motivate both Congress and the Executive Branch to jointly pursue an active and constructive policy towards regional organizations in Asia.